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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review --	)	
Comprehensive Review of the	)	
Accounting Requirements and	)	CC Docket No. 00-199
ARMIS Reporting Requirements for	)	Phase 3
Incumbent Local Exchange Carriers:	)	
Phase 2 and Phase 3	)	

COMMENTS
of the
GENERAL SERVICES ADMINISTRATION

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February 13, 2001

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SUMMARY

In these Comments, GSA urges the Commission to retain its uniform accounting and reporting requirements for ILECs as long as they remain dominant in the provision of any essential service. These requirements are necessary to help ensure that both interstate and intrastate rates remain just and reasonable. These requirements ensure that ratepayers of regulated services do not bear the costs and risks of nonregulated activities.

Conversely, since CLECs, IXCs, cable companies and wireless carriers do not possess telephony market power, GSA believes that accounting and detailed reporting requirements are not necessary for their regulation.

GSA recognizes, moreover, that there may be situations in the future when reporting requirements can be eliminated for an ILEC before accounting requirements are eliminated. In these cases, the maintenance of uniform accounting requirements will serve to prevent cross-subsidizing.

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COMMENTS
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GENERAL SERVICES ADMINISTRATION

The General Services Administration ("GSA") submits these Comments on behalf of the customer interest of all Federal Executive Agencies ("FEAs") in response to the Commission's Notice of Proposed Rulemaking ("Notice") released on October 18, 2000. In the Notice, the Commission seeks comments and replies on whether there are triggers that will allow the Commission to significantly modify or relieve certain accounting and reporting requirements that currently apply to incumbent local exchange carriers ("ILECs").

I. INTRODUCTION

Pursuant to Section 201(a)(4) of the Federal Property and Administrative Services Act of 1949, as amended, 40 U.S.C. 481(a)(4), GSA is vested with the responsibility to represent the customer interests of the FEAs before Federal and state regulatory agencies. The FEAs require a wide array of interexchange and local telecommunications services throughout the nation. From their perspective as end users, the FEAs have consistently supported the Commission's efforts to bring the benefits of competitive markets to consumers of all telecommunications services. Until such time as competition provides an effective control over ILEC prices, however, GSA believes that the Commission must continue to maintain rules which assure just and reasonable rates.

In 1999, the Commission initiated a comprehensive review of its accounting rules and related reporting requirements for ILECs.[1] GSA filed comments in Phase 1 of that review to help the Commission balance the requirements for effective regulatory controls with the need for less burdensome regulatory surveillance.[2] Phase 1 concluded with an order which adopted measures designed to significantly streamline the Commission's accounting and reporting systems.[3]

GSA also filed Comments in Phase 2 of the Commission's review.[4] For the most

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[1] Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 1, CC Docket No. 99-253, Notice of Proposed Rulemaking, FCC 99-174, released July 14, 1999 ("Phase 1 Proceeding").

[2] Phase 1 Proceeding, Comments of GSA, August 23, 1999; Reply Comments of GSA, September 9, 1999.

[3] Phase 1 Proceeding, Report and Order, FCC 00-78, released March 8, 2000 ("Phase 1 Order").

[4] 2000 Biennial Regulatory Review-Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, CC Docket No. 00-199, Notice of Proposed Rulemaking, FCC 00-364, released October 18, 2000 ("Phase 2 Proceeding"), Comments of GSA, December 21, 2000; Reply Comments GSA, January 30, 2001.

part, GSA supported the Commission's proposals to further streamline its accounting and reporting requirements.

In these Phase 3 Comments, GSA urges the Commission to maintain uniform accounting and reporting requirements for the ILECs as long as they remain dominant in the provision of any essential service.

II. ILECs Must Remain Subject To Uniform Accounting And Reporting Requirements As Long As They Remain Dominant In The Provision Of Any Essential Service

The Commission's statutory responsibility with respect to accounting matters is clear under the Act:[5]

> The Commission shall, by rule, prescribe a uniform system of accounts for use by telephone companies. Such uniform system shall require that each common carrier shall maintain a system of accounting methods, procedures, and techniques (including accounts and supporting records and memoranda) which shall ensure a proper allocation of all costs to and among telecommunications services, facilities, and products (and to and among classes of such services, facilities, and products) which are developed, manufactured, or offered by such common carrier.[6]

[5] Communications Act of 1934 as amended by the Telecommunications Act of 1996 ("Act").

[6] 47 U.S.C. 220. The Commission's authority to require annual reports can be found in 47 U.S.C. 219.

Uniform accounting and reporting by ILECs has been the bedrock upon which both Federal and state regulation has been based for many decades. Since only the Commission is in a position to require uniformity of accounting and reporting throughout the nation, the Commission must consider both Federal and state regulatory needs in assessing changes to its rules. The National Association of Regulatory Utility Commissioners ("NARUC") recognizes the importance of the Commission's willingness and historical efforts to synchronize accounting and reporting requirements. NARUC stated in the Phase 2 proceeding:

> Such cooperation is in the public interest as it enables federal and State regulators to effectively work on issues of joint interest, such as universal service, and avoids the establishment of unnecessary and redundant accounting and reporting requirements.[7]

NARUC went on to note:

> Until such time as there is truly a competitive market, the NARUC proffers that current standards in accounting and reporting data are essential in the monitoring of the network at the federal level.[8]

GSA agrees with NARUC. As long as an ILEC remains dominant in the provision of any essential interstate or intrastate service, uniform and accurate accounting and reporting requirements will remain necessary. These requirements are necessary to ensure that regulated rates remain just and reasonable. Specifically, these requirements ensure that ratepayers of regulated services do not bear the costs and

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[7] Phase 2 Proceeding, Reply Comments of NARUC, p. 2.

[8] Id., p. 3.

risks of nonregulated activities. These requirements are also essential to the maintenance of fair and equitable universal service programs.

Once effective facilities-based competition can be seen to have stripped a given ILEC of its market power with respect to a service, the Commission will deregulate that service. The Commission's accounting and reporting system must remain in place, however, to ensure that such deregulated services are not subsidized by the services which remain regulated.

A day will arrive when all of an ILEC's services become deregulated, and then the need for uniform accounting and detailed reporting will be ended for that ILEC. As the Commission notes, that day came for AT&T in 1995 when the Commission declared it non-dominant.[9]

It is not likely, however, that any ILEC will be declared non-dominant for many years. AT&T was not declared non-dominant until its share of toll service revenues had fallen to less than 50 percent.[10] As GSA noted in its Phase 2 Reply Comments, according to the Commission's latest local competition report, 98 percent of the nation's end user lines are still provided by the ILECs.[11] While GSA hopes that facilities-based local service competition will grow in the coming years, it would be premature to speculate as to when any ILEC will be declared non-dominant.

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[9] Notice, footnote 139.

[10] Statistics of the Long Distance Telecommunications Industry, FCC, January 2001, Table 9.

[11] Phase 2 Proceeding, Reply Comments of GSA, p. 3, citing Local Telephone Competition: Status as of June 30, 2000, released December 4, 2000. Tables 3 and 4 show that ILEC facilities serve 187,784,000 of 191,612,000 end user lines.

III. Non-ILECs Should Not Be Made Subject To Uniform Accounting And Reporting Requirements Unless They Become Dominant In the Provision Of An Essential Service

The Commission notes that other carriers, such as competitive local exchange carriers ("CLECs"), interexchange carriers ("IXCs"), cable companies providing telephony and wireless carriers are not subject to its accounting and reporting requirements.[12] The Commission seeks comments on whether this "asymmetric" regulation makes sense as we move to a more competitive environment.[13]

GSA strongly disagrees with the Commission's suggestion that its regulation is "asymmetric". The Commission's accounting and reporting rules apply to all dominant carriers having market power over one or more essential services. Since 1995, of course, all such carriers have been ILECs.

The Commission's accounting and reporting requirements are necessary to prevent dominant carriers from exercising their market power to the detriment of ratepayers and the competitive process. Since no CLEC, IXC, cable company or wireless carrier possesses telephony market power, accounting and detailed reporting requirements are not necessary for their regulation.[14]

As the Commission notes, some ILECs have begun to compete as CLECs outside of their traditional service areas.[15] In such circumstances, the ILEC owned

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[12] Notice, para. 92.

[13] Id.

[14] As the Commission has found, certain information must be reported by all carriers for universal service and monitoring purposes.

[15] Notice, para. 93.

CLECs will have no more market power than any other CLECs, and need not be made subject to the accounting and reporting requirements applicable to an ILEC operating in its traditional service area.

IV. ILEC Accounting and Reporting Requirements May Be Different

The Commission also requests comment on whether it makes sense to relieve ILECs from annual reporting requirements, while maintaining existing accounting requirements.[16] Although it notes that compliance with certain requirements may be critical to protecting ratepayers from subsidizing nonregulated services, the Commission asks how its mission would be affected if it were to gather information on a less frequent, or more ad hoc, basis.

The Commission must ensure that the needs of the state commissions and the public are considered with respect to reporting. As discussed above, only the Commission is in a position to require uniform reporting throughout the nation. As GSA noted in its Phase 2 Reply Comments, 41 state commissions reported in response to a General Accounting Office ("GAO") survey that they found the Commission's annual Automated Reporting Management Information System ("ARMIS") reports helpful.[17] The regulatory missions of both the Commission and state commissions continue to be dependent upon accurate and uniform accounting and reporting standards.

[16] Id., para. 95.

[17] Phase 2, Reply Comments of GSA, p. 16, citing Development of Competition in Local Telephone Markets, GAO, January 2000, p. 52.

While ad hoc information requests might serve the Commission's needs in certain limited circumstances, only the annual reporting of basic data will provide the Commission, the state commissions and the public with the information necessary to fully monitor ILEC operations. A reporting schedule less frequent than annually would not provide data on a timely enough basis to ensure informed decision making.

There may be situations in the future, however, when ILEC reporting requirements can be eliminated before accounting requirements. For example, if an ILEC is found to be non-dominant in a particular state by both the Commission and the state commission, it would be reasonable to eliminate separate reporting requirements for that ILEC for that state. In such a situation, accounting requirements would remain necessary to allow total ILEC reports to be prepared for interstate and universal service purposes. The ILEC accounting requirements would also help ensure that the ILEC does not subsidize its operations in the state in which it has been declared non-dominant with revenues generated in states in which it retains market power.

V. CONCLUSION

As a major user of telecommunications services, GSA urges the Commission to implement the recommendations set forth in these Comments.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, MICHAEL J. ETTNER, do hereby certify that copies of the foregoing "Comments of the General Services Administration" were served this 13th day of February, 2001, by hand delivery or postage paid to the following parties.

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